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ACTION EUR-12

INFO OCT-01 AF-06 ARA-06 EA-06 NEA-10 ISO-00 INRE-00

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 17238

E.O. 11652: GDS
TAGS: ENRG, OECD
SUBJECT: IEA: DRAFT GOVERNING BOARD DECISIONS ON LONG-
TERM COOPERATION

1. FOLLOWING SECRETARIAT PAPER CONTAINS DECISIONS
REACHED BY GB AT JUNE 30-JULY 2 IN AREA OF LONG-TERM
COOPERATION:

2. BEGIN TEXT:

THE GOVERNING BOARD REAFFIRMED ITS COMMITMENT TO
UNDERTAKE A PROGRAM OF LONG-TERM COOPERATION DESIGNED TO
REDUCE THE RELIANCE OF PARTICIPATING COUNTRIES ON
IMPORTED OIL, AS PREVIOUSLY DECIDED AT ITS MEETING ON
20TH MARCH, 1975; AND FURTHER DECIDED THAT AN INTERLINKED
BALANCED PROGRAM MUST BE ELABORATED WHICH SHOULD:-

(A) PROVIDE FOR EQUITABLE SHARING OF BURDENS
AND BENEFITS; AND
(B) CONTAIN THE FOLLOWING ELEMENTS.
A. PROMOTION OF THE CONSERVATION OF ENERGY.
B. ACCELERATION OF THE DEVELOPMENT OF ALTERNATIVE
SOURCES OF ENERGY WITHIN IEA COUNTRIES AND OUTSIDE
THROUGH:-
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(I) AN OVERALL FRAMEWORK FOR COOPERATION IN
PROVIDING SPECIFIC MEASURES OF ASSISTANCE
TO INCREASE AND STIMULATE INVESTMENT ON A
PROJECT-BY-PROJECT BASIS.
(II) GENERAL MEASURES TO ENCOURAGE AND SAFEGUARD
INVESTMENTS IN THE BULK OF CONVENTIONAL
ALTERNATIVE SOURCES OF ENERGY.
C. ENCOURAGEMENT AND PROMOTION OF NEW AND BENEFICIAL

TECHNOLOGY FOR THE EFFICIENT PRODUCTION AND UTILIZATION
OF ENERGY THROUGH JOINT R & D.

D. PROVISIONS ON INTER ALIA LEGISLATIVE AND
ADMINISTRATIVE OBSTACLES AND DISCRIMINATORY PRACTICES.

E. PROCEDURES FOR REVIEW OF THE OVERALL EFFORTS OF
THE AGENCY AND OF EACH COUNTRY TO ACHIEVE THE OBJECTIVES
OF THE PROGRAM.

IN CONNECTION WITH THE ABOVE PROGRAM A CLOSE
ANALYSIS WILL BE CONDUCTED OF THE POTENTIAL FOR EXPANDED
COOPERATION IN THE AREA OF NUCLEAR ENERGY.

IN TAKING THIS DECISION, THE GOVERNING BOARD RECOG-
NIZED THAT EACH OF THESE ELEMENTS IS AN ESSENTIAL PART
OF THE PACKAGE; THAT ALL ARE INTERRELATED; AND THAT THE
IMPLEMENTATION OF THESE ELEMENTS MUST BE CARRIED OUT IN
SUCH A WAY AS TO ENSURE AN EQUITABLE BALANCE OF COSTS AND
BENEFITS; AND THAT IT IS THEREFORE IMPOSSIBLE TO TAKE
FINAL DECISIONS ON AN OVERALL PROGRAM UNTIL ALL OF THEM
ARE FULLY ELABORATED. FOR SOME OF THESE ELEMENTS THE
GOVERNING BOARD GAVE THE FOLLOWING FURTHER GUIDANCE:-

A. WITH REGARD TO THE MINIMUM SAFEGUARD PRICE
SCHEME: THE GOVERNING BOARD REAFFIRMED ITS DECISION
OF 20TH MARCH, 1975 WHICH CONTAINS THE POLICY CONCEPT OF
A MINIMUM SAFEGUARD PRICE ON IMPORTED OIL (MSP) TO
ENCOURAGE AND SAFEGUARD ENERGY INVESTMENTS. NEVERTHELESS,
THE BOARD DID NOT AT THIS STAGE PROCEED TO DETERMINE THE
LEVEL OF THE ABOVE PRICE, BECAUSE:-

- ADEQUATE DATA TO DETERMINE THE LEVEL WERE NOT
YET FULLY AVAILABLE;

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- IT CONSIDERED IT INAPPROPRIATE TO TAKE FINAL DECISIONS ON THIS MATTER AT A TIME WHEN DISCUSSIONS ABOUT THE RESUMPTION OF THE DIALOGUE WITH THE OIL-PRODUCING COUNTRIES WERE AT THEIR PRESENT STAGE.

THE BOARD DECIDED THAT FURTHER WORK ON THE ENCOURAGEMENT AND SAFEGUARDING OF ENERGY INVESTMENTS SHOULD PROCEED ALONG THE LINES SET FORTH BELOW:

- (A) THE SECRETARIAT, HAVING RECOURSE TO SUCH ASSISTANCE AS IT JUDGES NECESSARY, SHOULD PREPARE THREE PAPERS:-
 - (I) A FINALIZED ASSESSMENT OF THE COST' OR RANGE OF COST, OF NUCLEAR ELECTRICITY;
 - (II) AN ESTIMATE OF THE LEVEL OF OIL PRICES BELOW WHICH COMMERCIAL INDUCEMENT TO DEVELOP ALTERNATIVE ENERGY SOURCES IN IEA COUNTRIES WOULD BE PUT AT RISK;
 - (III) AN ESTIMATE OF THE INCREMENTS OF INDIGENOUS ENERGY WHICH MIGHT BECOME AVAILABLE TO IEA COUNTRIES, ASSUMING VARIOUS PRICE LEVELS FOR OIL.

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- (B) IN ORDER TO ENABLE THE GOVERNING BOARD TO TAKE A DECISION ON ALL ELEMENTS OF THE LONG-TERM PROGRAM BY 1ST DECEMBER, 1975, THE AGENCY WILL IN THE MEANTIME PROCEED TO COMPLETE, ON THE BASIS OF A TIME-TABLE TO BE AGREED AT THE NEXT MEETING OF THE GOVERNING BOARD, THE OTHER ASPECTS OF THE GENERAL MEASURE OF COOPERATION ELABORATED IN THE STANDING GROUP ON LONG-TERM COOPERATION ON THE BASIS OF THE GOVERNING BOARD DECISION OF 20TH MARCH.

THE ABOVE DECISIONS WILL BE ARRIVED AT TAKING INTO ACCOUNT THE RELATIONSHIP WITH THE DIALOGUE.

- (C) THE SLT IS INSTRUCTED TO UNDERTAKE FURTHER WORK ON THE FOLLOWING PROBLEMS:
 - (I) TO EXPLORE THE TECHNICAL PROBLEMS AND IMPLICATIONS OF INCLUDING OIL PRODUCTS IN THE MSP SCHEME;
 - (II) ADOPTING, AS A WORKING HYPOTHESIS, THE DEFINITION THAT "IMPORTED" OIL SHOULD BE UNDERSTOOD AS OIL IMPORTED BY INDIVIDUAL PARTICIPATING COUNTRIES OF THE AGENCY:
 - TO EXPLORE WHAT POSSIBLE EXCEPTIONS (AS SET FORTH IN IEA/SLT(75)53 ANNEX I) WOULD BE APPROPRIATE OR NECESSARY;

- TO EXPLORE WHAT PROVISIONS MIGHT BE APPROPRIATE OR NECESSARY TO ENSURE THAT OIL PRODUCED IN IEA COUNTRIES SUFFERS NO DISCRIMINATION IN RELATION TO OIL IMPORTED FROM OUTSIDE THE IEA AREA;
- TO EXPLORE WHAT PROVISIONS MIGHT BE APPROPRIATE OR NECESSARY TO ENSURE THAT OIL PRODUCED IN IEA COUNTRIES CAN BE SOLD WITHIN THE IEA AT THE MSP WHEN THE WORLD PRICE OF OIL FALLS BELOW THE MSP;
- (III) TO ESTABLISH HOW FAR EACH PARTICIPATING COUNTRY NOW HAS THE CAPABILITY TO ENSURE THE OBSERVANCE OF A MINIMUM SAFEGUARD PRICE IN ITS TERRITORY.

B. ACCESS

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1. THE GOVERNING BOARD, AS A WORKING HYPOTHESIS, AGREED THAT THE QUESTION OF ACCESS SHOULD BE FURTHER EXPLORED IN A NUMBER OF AREAS AND INSTRUCTED THE SLT TO UNDERTAKE THE FOLLOWING FURTHER WORK:-

- (A) TO EXAMINE THE PROBLEMS THAT MIGHT ARISE IN VARIOUS MARKET SITUATIONS.
- (B) TO EXAMINE THE PROJECT-BY-PROJECT APPROACH, TO DETERMINE WHAT FURTHER STIMULUS MIGHT BE PROVIDED AND TO DETERMINE WHAT CONSTRAINTS IMPEDED THE CREATION OF A CLIMATE FAVORABLE TO THAT APPROACH TO THE ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY SUPPLIES. THE SLT SHOULD TAKE INTO ACCOUNT BOTH GENERAL ECONOMIC CONSIDERATIONS AND INVESTMENT ASPECTS.
- (C) TO EXAMINE HOW COOPERATIVE PROJECTS COULD BE ENCOURAGED BY EXPLICIT GUIDING PRINCIPLES ON THE TERMS AND CONDITIONS UNDER WHICH SUCH PROJECTS WOULD BE UNDERTAKEN, SUCH AS:
 - (I) ACCESS FOR PARTICIPATING PARTIES TO THE TECHNOLOGY EMPLOYED IN AND DEVELOPED BY THE SPECIFIC PROJECT;
 - (II) PARTICIPATING PARTIES' SHARE OR CALL

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UPON THE ENERGY SUPPLIES THAT ARE
PRODUCED;

(III) ACCESS TO INVESTMENT OPPORTUNITY.

(D) TO EXAMINE HOW EXISTING CONDITIONS MIGHT BE
IMPROVED, ON THE BASIS OF INFORMATION PROVIDED
BY INDIVIDUAL COUNTRIES. THE SLT SHOULD DRAW
UP A LIST OF EXISTING POLICIES ON PRICING AND
ACCESS AND SHOULD EXAMINE THE ECONOMIC
CONSEQUENCES OF SUCH POLICIES.

(E) TO EXAMINE THE POSSIBILITIES OF AVOIDING THE
INTRODUCTION OF NEW LEGISLATION OR ADMINISTRA-
TIVE REGULATIONS WHICH MIGHT WORSEN EXISTING
CONDITIONS WITH REGARD TO THE PRINCIPLE OF
EQUALITY OF TREATMENT.

C. QUANTITATIVE BASIS FOR FURTHER APPRECIATION OF
THE LONG TERM PROGRAM

1. THE GOVERNING BOARD ALSO INSTRUCTED THE SLT TO
PRODUCE BY THE END OF 1975 A COLLATION OF NATIONAL
PROGRAMS' ON THE BASIS OF COUNTRY-BY-COUNTRY REVIEW,
COVERING THE FOLLOWING POINTS:-

(I) THE VOLUME OF ENERGY TO BE PRODUCED FROM
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INDIGENOUS RESOURCES AS CURRENTLY ASSESSED;

(II) AN ASSESSMENT OF THE VOLUME OF ENERGY TO BE
CONSUMED AFTER TAKING ACCOUNT OF THE CONSERVATION
EFFORT;

(III) ON THE BASIS OF (I) AND (II) ABOVE, THE NET
EXPORT CAPABILITY AND IMPORT REQUIREMENTS OF THE
GROUP;

(IV) THE DEGREE OF ECONOMIC AND FINANCIAL EFFORT
REQUIRED TO ACHIEVE THESE RESULTS;

(V) ADMINISTRATIVE OR LEGAL STEPS DIRECTED TOWARDS
THE REMOVAL OF OBSTACLES, IF ANY, TO ACCELERATED
DEVELOPMENT AND ENERGY CONSERVATION.

2. THE GOVERNING BOARD CONSIDERED THAT SUCH
ASSESSMENTS WOULD PROVIDE THE ESSENTIAL BASIS FOR
APPRECIATION OF THE COHERENCE OF THE GLOBAL STRATEGY OF
THE GROUP AND FOR THE EVALUATION OF THE PROGRAMS OF
PARTICIPATING COUNTRIES.

D. RESEARCH AND DEVELOPMENT

1. THE GOVERNING BOARD TOOK NOTE OF DOCUMENT
IEA/SLT(75)56 AND REQUESTED THE SLT TO PREPARE A FORMAL
DECISION OF THE GOVERNING BOARD AT ITS NEXT MEETING. IN
THE MEANTIME, THE SECRETARIAT SHOULD PROCEED WITH ANY
ACTIONS NECESSARY TO FURTHER THE IMPLEMENTATION OF THE
COOPERATIVE ACTIVITIES.

2. THE GOVERNING BOARD FURTHER REQUESTED THE SLT
TO SUBMIT TO ITS NEXT MEETING THE FIRST PROPOSALS ON THE
ORGANIZATION OF THE AUTUMN MEETING OF THE BOARD, WHICH
WOULD BE DEVOTED TO EXAMINING THE POSSIBILITIES OF A
WIDER R & D PROGRAM OF THE AGENCY.

E. NUCLEAR

AS REGARDS THE FUTURE ROLE OF THE AGENCY WITH
RESPECT TO NUCLEAR ENERGY, THE GOVERNING BOARD REQUESTED
THE SLT TO IDENTIFY NEW AREAS OF COOPERATION, AND TO
SUBMIT BEFORE THE END OF JULY A PRELIMINARY PROPOSAL TO
STRENGTHEN THE ON-GOING WORK OF THE AGENCY IN THE
NUCLEAR SECTOR.

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